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SIPDIS

STATE FOR NEA, NEA/IPA, NEA/PPD

WHITE HOUSE FOR PRESS OFFICE, SIT ROOM  
NSC FOR NEA STAFF

SECDEF WASHDC FOR USDP/ASD-PA/ASD-ISA

HQ USAF FOR XOX

DA WASHDC FOR SASA

JOINT STAFF WASHDC FOR PA

USCINCCENT MACDILL AFB FL FOR POLAD/USIA ADVISOR

COMSOCEUR VAIHINGEN GE FOR PAO/POLAD

COMSIXTHFLT FOR 019

JERUSALEM ALSO FOR ICD

LONDON ALSO FOR HKANONA AND POL

PARIS ALSO FOR POL

ROME FOR MFO

E.O. 12958: N/A

TAGS: IS KMDR MEDIA REACTION REPORT

SUBJECT: ISRAEL MEDIA REACTION

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SUBJECTS COVERED IN THIS REPORT:  
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11. Mideast

12. Warren Buffett's Israeli Deal

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Key stories in the media:  
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The acquisition by US tycoon Warren Buffett, who is the world's second-wealthiest man, of 80 percent of Galilee-based Iscar Metalworking for USD 4 billion, which he announced on Saturday, dominated the headlines over the weekend. The move is Buffett's first significant deal outside the US and the third largest deal he has ever made. On Sunday, Ha'aretz quoted him as saying Saturday that he did not rule out investing in additional Israeli companies. The media reported that the deal will make Iscar's owners, Stef Wertheimer and his son Eitan, the richest family in Israel. The Jerusalem Post and other media reported that PM Olmert told Eitan Wertheimer on Saturday that the deal is "major news and a great present for Israel" and that it "will provide great momentum to the Israeli economy and I am certain that it will lead to other economic benefits." The media reported that the deal boosted the Tel Aviv Stock Exchange (banner in Maariv).

All media reported that on Sunday, PM Olmert moved into the Prime Minister's Office, vowing to redefine Israel's borders and crack down on illegal Jewish activity in the West Bank. He was quoted as saying at a ceremony marking his move: "In the next few years, we will change Israel's character to ensure it will be a state with a solid Jewish majority living within defensible borders that can provide security to its residents and separate us from those who must live alongside us and not among us." Yediot quoted associates of Defense Minister Amir Peretz as saying that the new government will not last longer than two years. Leading media reported that on Sunday, Peretz decided to allow 12,000 Palestinian workers to enter Israel.

Ha'aretz quoted GOI sources in Jerusalem as saying that high-ranking officials from several government ministries have been covertly planning the legal framework of the convergence plan for several months. The newspaper reported that the members of the interministerial plan were appointed by former PM Ariel Sharon about six months ago.

On Sunday, all media reported that Amir Peretz's first action as defense minister was to approve an IAF strike in Gaza on Friday, in which five operatives of the Popular Resistance Committees in Gaza were killed. Ha'aretz reported that two Palestinians -- one in the Gaza Strip and the other in West Bank were also killed over the weekend.

Yediot and Israel Radio reported that President Bush told the German weekly Bild Am Sonntag that Iran's threat to attack Israel must be taken seriously. Major Israeli media cite Iran's threat that should the US menace Iran with sanctions, Iran would withdraw from

the Nuclear Non-Proliferation Treaty. Maariv quoted Tzachi Hanegbi, the incoming chairman of the Knesset's Foreign Affairs and Defense Committee, as saying Sunday that Iran's nuclear program will be the most important item on his committee's agenda.

Israel Radio reported that three Palestinians -- two Hamas militants and a Fatah one -- were killed and eight were wounded in clashes between members of the two factions in the Gaza Strip. The radio cited the London-based Ash-Sharq Al-Awsat as saying that talks between PA Chairman [President] Mahmoud Abbas and PA PM Ismail Haniyeh were inconclusive. Major media cited the British weekly The Sunday Times as saying that the Israeli intelligence services saved Abbas from an assassination attempt by Hamas's military wing in his Gaza City office. Abbas reportedly canceled his trip to Gaza following an Israeli warning. Maariv reported that Hamas is investing hundreds of thousands of dollars in the acquisition of weapons. The newspaper cited the concern of Fatah officials that the weapons might be used against their movement. Major media quoted Palestinian FM Mahmoud Zahar as saying that he met with several unnamed European foreign ministers and other officials.

All media reported that on Sunday morning, police evacuated 41 settlers and supporters who had barricaded themselves in a Palestinian house in Hebron. Ha'aretz and Israel Radio reported that the Civil Administration in the West Bank is in the process of mapping all illegal construction by settlers throughout the territory, including the work taking place in illegal outposts. Ha'aretz wrote that the operation is expected to last four months and is part of a broader plan by the authorities in preparation for the evacuation of illegal outposts and the razing of illegal construction. Ha'aretz reported that the mapping operation was announced Sunday at the High Court of Justice by the commander of the Civil Administration in the West Bank, Brig. Gen. Kamil Abu Rukun, in response to a petition by Peace Now, which called for the demolition of the outposts of Horsha and Hayovel.

On Sunday, major media reported that former Mossad deputy chief Ilan Mizrahi is to be named the head of the National Security Council, replacing IDF Gen. (Res.) Giora Eiland who will be stepping down at the end of this month.

The Jerusalem Post reported that despite making an official request to have its upcoming Fed Cup tie, scheduled to be played in Israel, moved to a neutral site, the Indonesian Tennis Federation is making plans to play in Israel.

Maariv reported that in an interview broadcast Sunday on Al Arabiya-TV, Jordan's King Abdullah II said that two years are left to achieve peace. The King reportedly urged Hamas to adopt a realistic attitude, but did not explicitly call on it to recognize Israel.

Ha'aretz reported that Likud, the National Union-National Religious Party, and Yisrael Beiteinu have been holding talks aimed at forming a joint parliamentary bloc against Olmert's West Bank convergence plan.

Major media reported that Sgt. Hananel Dayan, the soldier who was ousted from his unit for refusing to shake hands with IDF Chief of Staff Dan Halutz is threatening to petition the High Court of Justice against the dismissal.

Major media reported that Foreign Ministry DG Ron Prosor was leaving his post. He was appointed Israel's Ambassador to Germany. Leading media reported that FM Livni announced Sunday that lawyer Aharon Abromovitch will replace Prosor as DG.

Ha'aretz reported that the US has requested from Azerbaijan President Ilham Aliyev that his country open an official representation in Israel. The newspaper said that the subject was raised last week during Aliyev's visit to Washington, where he met with President Bush and other senior members of the administration. Ha'aretz wrote that Aliyev did not respond to the American request and quoted sources as saying that he is unlikely to undertake such a move in the near future, and certainly not during the period in which Azerbaijan heads the Economic Cooperation Organization, a regional group comprising predominantly Muslim and Turkic states from Central Asia. Ha'aretz wrote that the US request follows an appeal by Israel to the Bush administration, which was made to boost a

similar demand by Jewish American groups.

Over the weekend, leading media reported on the resignation of CIA Director Porter Goss. The media also reported on the reshuffling of the British government following the Labour Party's local-election defeat on Thursday.

Hatzofe reported that five long-range F16-I Lockheed Martin aircraft arrived in Israel on Sunday.

Based on statistics released by the Department of Homeland Security, Maariv reported that every year, the US Citizenship and Naturalization Services arrest 550 Israelis staying in the US illegally, and prevent their return to the US for at least 10 years.

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I1. Mideast:  
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Summary:  
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Independent, left-leaning Ha'aretz editorialized: "The new defense minister, Amir Peretz, and public security minister, Avi Dichter, who is familiar with the thuggery of the Hebron settlers from up close, are now obligated to prove that the law is not an air bubble when it reaches the territories."

Senior columnist Haggai Huberman wrote in the lead editorial of nationalist, Orthodox Hatzofe: "Olmert is basing his policy on demagoguery.... Uprooting the settlements has become the main thing."

Senior Middle East affairs analyst Zvi Bar'el wrote in Ha'aretz: "While dialogue with Hamas is likely to promote Arab cooperation on the Iran issue, Israel has decided that Hamas is the bigger threat."

Yonatan Touval, a researcher at the Economic Cooperation Foundation, an NGO founded by the architects of the Oslo Agreement, whose objectives are to build, maintain and support Israeli-Palestinian and Israeli-Arab cooperation in the political, economic, and civil society spheres, wrote in Ha'aretz: "Israel's unofficial boycott of the Quartet is perhaps the biggest diplomatic open secret in current Mideast negotiations."

George Conger wrote from London on page one of the conservative, independent Jerusalem Post: "Israel may have come out the winner following Prime Minister Tony Blair's cabinet shuffle on May 5."

Block Quotes:  
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II. "The Routine of Violent Eviction"

Independent, left-leaning Ha'aretz editorialized (5/8): "The new defense minister, Amir Peretz, and public security minister, Avi Dichter, who is familiar with the thuggery of the Hebron settlers from up close, are now obligated to prove that the law is not an air bubble when it reaches the territories. Arresting the protesters, putting them on trial quickly and issuing the army with strict and precise instructions aimed at protecting the Palestinians' rights: These actions are likely to make it clear that the security forces' recent actions are not just a momentary legal spasm, but part of a policy that has come to stay."

II. "Meditations on the 'Lifeline of Zionism'"

Senior columnist Haggai Huberman wrote in the lead editorial of nationalist, Orthodox Hatzofe (5/7): "Prime Minister Ehud Olmert said as he presented his government to the Knesset that 'partitioning the Land with the goal of ensuring a Jewish majority is a lifeline for Zionism.' Any intelligent person with eyes in his head who correctly analyzes the Prime Minister's political plan understands immediately that this is not a lifeline but a noose for Zionism, and perhaps for Israel.... Olmert is basing his policy on demagoguery and the mendacious argument that the 'continued dispersed settlement throughout Judea and Samaria [i.e. the West Bank] creates an inseparable mixture of population that will endanger the existence of Israel as a Jewish state.' An utter lie. Today already separation can be created between the Jewish settlement blocs and the Palestinian blocs, without removing a single settlement. Those facts, of course,

are something that no one will ever say, because uprooting the settlements has become the main thing."

### III. "Hamas or an Iranian Nuke"

Senior Middle East affairs analyst Zvi Bar'el wrote in Ha'aretz (5/7): "It is true that most Arab spokesmen have recently stopped conditioning their support for the nuclear demilitarization of Iran on having Israel denuclearize first, and Iran is perceived more and more as a physical threat, while Israel is seen as an ideological one -- but there is still a big difference between this fine distinction and a direct and explicit Arab demand of Iran. As in the case of Iraq, it seems that most Arab leaders are again gathering in the cozy corner of vague words and fears of war without taking any real action. It is as if they are saying -- since we cannot influence Israel's nuclearization, it would be better not to deal with Iran. [Egyptian President Hosni] Mubarak and [Saudi King] Abdullah can change this political isolationism.... But how is it possible to mobilize Arab support for an Israeli argument when Israel is not only an occupier but also refuses to engage in conversation with its adversary -- even when this adversary closely adheres to a ceasefire? This is something absurd, which is difficult to resolve. And thus, while dialogue with Hamas is likely to promote Arab cooperation on the Iran issue, Israel has decided that Hamas is the bigger threat. It is such a big threat that Israel easily mobilized a global boycott against it. Iran is apparently only child's play."

### IV. "Tough Challenges For the Quartet"

Yonatan Touval, a researcher at the Economic Cooperation Foundation, an NGO founded by the architects of the Oslo Agreement, whose objectives are to build, maintain and support Israeli-Palestinian and Israeli-Arab cooperation in the political, economic, and civil society spheres, wrote in Ha'aretz (5/8): "The Quartet should draft a separate memorandum of understanding with Israel. The exact content of such a memorandum may not be that important, although it should definitely include an understanding that Israel immediately and unconditionally resumes the transfer of Palestinian tax money it collects at the borders. More important, however, is the very act of concluding such a memorandum if through such a document Israel was brought to recognize the Quartet as such. Israeli officials have, of course, met over the past four years with individual members of the Quartet, but never collectively, never together -- never, that is, as a Quartet. Israel's unofficial boycott of the Quartet is perhaps the biggest diplomatic open secret in current Mideast negotiations. Clearly, if the U.S., EU, UN and Russia can't bring Israel to recognize the Quartet, there can be little confidence in the Quartet's ability to do much more. Yet it must achieve much more or else refrain from further involvement, for to continue playing a counter-productive role is worse than playing no role at all."

### V. "Blair Cabinet Shakeup May Be Good For Jerusalem"

George Conger wrote from London on page one of the conservative, independent Jerusalem Post (5/7): "Israel may have come out the winner following Prime Minister Tony Blair's cabinet shuffle on May 5. The demotion of Foreign Secretary Jack Straw and appointment of Blair loyalist Margaret Beckett to his post are likely to result in a more unified Anglo-American approach to Iran, Hamas, and the Middle East.... Beckett is expected to strictly follow Blair's Middle East foreign policy strategy, moving away from an EU-centered approach to closer partnership with the US. Beckett's experience with climate change negotiations and support for the Kyoto Treaty protocols will not mean Britain and the US will lockstep however, with the potential for conflict arising over this contentious issue between the view of Bush and Blair."

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### 12. Warren Buffett's Israeli Deal:

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#### Summary:

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Chief Economic Editor Sever Plotker wrote in mass-circulation, pluralist Yediot Aharonot: "One of the jewels in the crown of ... Israeli industry is now moving into foreign, distant, anonymous hands."

The conservative, independent Jerusalem Post editorialized: "Investors the world over will not miss this event and will be able to reason that if [Warren]

Buffett considers Israel a land of promise, they might do the same."

Block Quotes:

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II. "Buffett's Vote of Confidence"

The conservative, independent Jerusalem Post editorialized (5/8): "When Israel was founded and struggled to stay alive 58 years ago, it would have taken a particularly hallucinatory imagination to forecast a day in which Israeli industry would thus interest the world's greatest movers and shakers. Nevertheless, this should not be the culmination of our aspirations. It is not too brazen to hope that truly successful Israeli firms assume the role of major players in the globalized marketplace yet stay fully and unequivocally Israeli. Other small economies have done it. Finland's Nokia, for instance, remains Finnish.... Investors the world over will not miss this event and will be able to reason that if [US tycoon Warren] Buffett considers Israel a land of promise, they might do the same. Our challenge will be to keep that promise viable. With all his goodwill, Buffett is not [Israeli industrialist Stef] Wertheimer [who sold him his Iscar firm] and his commitment to the Galilee hinges on the bottom line. Still, while the guiding considerations in future for Iscar may become less Israeli-oriented, the acquisition, assuming the business continues to flourish, will continue to benefit this country for many years to come."

II. "Pride Mixed With Sorrow"

Chief Economic Editor Sever Plotker wrote in mass-circulation, pluralist Yediot Aharonot (5/7): "The investment of USD 4 billion by the richest private investor in the world is ... not only an unusual mark of appreciation for Israeli industry and for the Israeli industrial sector. It is also a bad mark for Israeli bureaucracy, Israeli regulation and the Israeli capital market. The pride is therefore mixed with sorrow.... When [US tycoon Warren] Buffett makes his leading investment in Israel, he gives the highest possible grade to our industries. So why the sorrow? Over the fact that one of the jewels in the crown of that same Israeli industry is now moving into foreign, distant, anonymous hands. Not for control over 'strategic investment,' but rather to a holding company that wants profit, profit and more profit. The profits of Iscar will now be added not to the Israeli gross national product but to the product of Warren Buffett and of countless joint shareholders in his holding firm. True, the management will remain in the Wertheimer family's hands -- that is Buffett's method -- but the array of concerns will gradually become less and less Israeli and more and more American."

JONES